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中國地熱能產業發展集團有限公司

CHINA GEOTHERMAL INDUSTRY DEVELOPMENT GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8128)

SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE

SUBSCRIPTION AGREEMENT

On 25 November 2019 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Company has conditionally agreed to issue and the Subscriber has conditionally agreed to subscribe the Subscription Shares at the Subscription Price of HK\$0.08 per Subscription Share.

The Subscription Shares, which will be issued under the General Mandate, represent (a) approximately 5.58% of the issued share capital of the Company as at the date of this announcement; and (b) approximately 5.52% of the issued share capital of the Company as enlarged by the issue and allotment of the Subscription Shares.

By a resolution of the Shareholders passed at the AGM, the Company granted the General Mandate to the Directors to allot and issue up to 20% of the then total number of Shares of the Company in issue as at 28 June 2019, i.e. 805,385,032 Shares. As the Subscription Shares will be allotted and issued under the General Mandate, the Subscription and the issue of Subscription Shares are not subject to Shareholders' approval.

An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in the Subscription Shares.

GENERAL

Shareholders and potential investors should note that completion of the Subscription is subject to fulfillment of the condition precedent under the Subscription Agreement. As the Subscription may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

SUBSCRIPTION AGREEMENT

On 25 November 2019 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Company has conditionally agreed to issue and the Subscriber has conditionally agreed to subscribe the Subscription Shares at the Subscription Price of HK\$0.08 per Subscription Share.

Date: 25 November 2019 (after trading hours)

Parties: The Company

UNIVERSAL ZONE LIMITED as the Subscriber

To the best of the knowledge, information and belief of the Directors, and having made all reasonable enquiries, Mr. Zhang Yiying is the sole director and sole shareholder of Universal Zone Limited. Mr. Zhang Yiying is an Independent Third Party. As of the date of this announcement, the Subscriber does not hold any Share.

Number of Subscription Shares to be subscribed for

Subject to the terms and conditions of the Subscription Agreement, the Company has conditionally agreed to issue and the Subscriber has conditionally agreed to subscribe 250,000,000 new Shares, representing (a) approximately 5.85% of the issued share capital of the Company as at the date of this Announcement; and (b) approximately 5.52% of the issued share capital of the Company as enlarged by the issue and allotment of the Subscription Shares.

Subscription Price

The Subscription Price of HK\$0.08 per Subscription Share, representing:

- (a) a premium of approximately 50.9% to the closing price of HK\$0.053 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (b) a premium of approximately 52.7% over the average of the closing prices of HK\$0.0524 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the Last Trading Day.

The Subscription Price was negotiated on an arm's length basis between the Company and Subscriber and is determined with reference to the prevailing market price of the Shares.

Issue the Subscription Shares under the General Mandate

By a resolution of the Shareholders passed at the AGM, the Company granted the General Mandate to the Directors to allot and issue up to 20% of the then total number of Shares of the Company in issue as at 28 June 2019, i.e. 805,385,032 Shares. As at the date of this announcement, no Shares have been issued pursuant to the General Mandate. As the Subscription Shares will be allotted and issued under the General Mandate, the Subscription and the issue of Subscription Shares are not subject to Shareholders' approval.

Application will be made by the Company to the Stock Exchange for the grant of listing of, and permission to deal in the Subscription Shares.

Ranking

The Subscription Shares, when issued and fully paid, will rank pari passu among themselves and with all other Shares presently in issue and at the time of issue and allotment of the Subscription Shares.

Condition precedent of the Subscription

The Subscription is conditional upon the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Subscription Shares.

If the above condition precedent is not fulfilled by 31 December 2019 (or such later date as the parties to the Subscription Agreement may agree in writing), all rights, obligations and liabilities of the parties to the Subscription Agreement shall cease and terminate and none of the parties to the Subscription Agreement shall have any claim against any other in respect of the Subscription, save for any antecedent breaches thereof.

Undertaking

Pursuant to the Subscription Agreement, upon completion of the Subscription, the Subscriber has the rights to nominate one non-executive Director and the Company shall accordingly appoint the nominee who is qualified pursuant to the laws in Hong Kong and the GEM Listing Rules. In addition, the Subscriber is restricted for the disposal of any of the Subscription Shares within six months upon completion of the Subscription.

Completion of Subscription

Completion will take place within seven (7) Business Days after the date on which the condition precedent of the Subscription has been fulfilled.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, the Company has 4,276,925,163 Shares in issue. The shareholding structure of the Company as at (i) the date of this announcement; and (ii) immediately upon the issue and allotment of the Subscription Shares are as follows:

Shareholders	As at the date of this announcement		Immediately upon the issue and allotment of the Subscription Shares	
	Number of Shares	Approx.%	Number of Shares	Approx.%
CECEP (Hong Kong)	1,190,000,000	27.82%	1,190,000,000	26.29%
Xu Shengheng and his associates (Note 1)	712,629,400	16.66%	712,629,400	15.74%
Chan Wai Kay and her associates (Note 2)	72,394,000	1.69%	72,394,000	1.60%
Wang Manquan	716,800	0.02%	716,800	0.02%
Wang Michael Zhiyu and his associates (Note 3)	<u>250,000,000</u>	<u>5.85%</u>	<u>250,000,000</u>	<u>5.52%</u>
Sub-total	<u>2,225,740,200</u>	<u>52.04%</u>	<u>2,225,740,200</u>	<u>49.17%</u>
Subscriber	–	–	250,000,000	5.52%
Other public Shareholders	<u>2,051,184,963</u>	<u>47.96%</u>	<u>2,051,184,963</u>	<u>45.31%</u>
Total	<u><u>4,276,925,163</u></u>	<u><u>100.00%</u></u>	<u><u>4,526,925,163</u></u>	<u><u>100.00%</u></u>

Notes:

1. Mr. Xu is an executive Director and the joint Chairman of the Company and is directly interested in 711,646,600 Shares. Mr. Xu's spouse is directly interested in 982,800 Shares.
2. Ms. Chan is an executive Director and is directly interested in 58,290,400 Shares. Ms. Chan's spouse is directly interested in 14,103,600 Shares.
3. Mr. Wang Michael Zhiyu is a non-executive Director and his spouse, Ms. Liu Ening, is directly interested in 250,000,000 Shares.

The above shareholdings of the Company set out in the above table are for illustration purposes only.

INFORMATION ABOUT THE SUBSCRIBER

The Subscriber is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in foreign investment and asset management business.

REASONS FOR THE SUBSCRIPTION AND USE OF NET PROCEEDS

The Company is an investment holding company, whose subsidiaries are principally engaged in the research, development and promotion of shallow geothermal energy as alternative energy to provide heating for buildings and is committed to the industrialization development of the original technology which can accelerate the all-around upgrade and transformation of the traditional heating industry with combustion, emissions and pollution to an emerging industry of combustion-free integrated heating and cooling system with shallow geothermal energy. The Directors considered that the Subscription represents an opportunity to raise capital for the Company while broadening the Shareholder base of the Company. Accordingly, the Directors (including the independent non-executive Directors) considered that the Subscription Agreement is fair and reasonable and the Subscription is in the interest of the Company and the Shareholders as a whole. The estimated total proceeds and net proceeds (after deduction of all relevant expenses) are of approximately HK\$20,000,000 and HK\$19,900,000 respectively. The Company intends to use the net proceeds of approximately HK\$19,900,000 from the issue of the Subscription Shares as the general working capital of the Group.

The Directors considered that the Subscription Agreement is entered into upon normal commercial terms following arm's length negotiations between the Company and the Subscriber, and that the terms of the Subscription Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

FUND RAISING ACTIVITY DURING THE PAST 12 MONTHS FROM THE DATE OF THIS ANNOUNCEMENT

Apart from the fund raising activity mentioned below which was completed on 9 July 2019, the Company has not carried out other equity fund raising activities during the 12 months immediately preceding the date of this announcement.

Date of announcement	Fund raising activity	Net proceeds raised	Proposed use of the net proceeds	Actual use of the net proceeds as at the date of this announcement
26 June 2019	Subscription of 250,000,000 new Shares at subscription price of HK\$0.0785 per share	approximately HK\$19,525,000	General working capital of the Group	Utilised as intended

Shareholders and potential investors should note that completion of the Subscription is subject to fulfilment of the condition precedent under the Subscription Agreement. As the Subscription may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

In this announcement, the following expressions have the following meanings unless the context otherwise requires:—

“AGM”	the annual general meeting of the Company held on 28 June 2019
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Business Day”	means a day on which licensed banks in Hong Kong are open for general banking business, other than (i) a Saturday or a Sunday; or (ii) a day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.
“CECEP Group”	China Energy Conservation and Environmental Protection Group (中國節能環保集團有限公司), a stated-owned enterprise under the supervision of State-owned Assets Supervision and Administration Commission of State Council of the PRC
“CECEP (Hong Kong)”	China Energy Conservation and Environmental Protection (Hong Kong) Investment Company Limited, a company incorporated in Hong Kong with limited liability and as at the date of this announcement, is a wholly-owned subsidiary of CECEP Group
“Company”	China Geothermal Industry Development Group Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on GEM
“connected persons”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	director(s) of the Company
“General Mandate”	the general mandate granted to the Directors at the AGM to allot, issue and deal with up to 20% of the aggregate number of issued Shares as at the date of passing of the relevant resolution at the AGM
“GEM”	the GEM of the Stock Exchange

“GEM Listing Rules”	The Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party”	the independent third party who is, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, independent of and not connected with the Company and the connected person(s) (as defined in the GEM Listing Rules) of the Company
“Last Trading Day”	22 November 2019, being the last trading day before the signing of the Subscription Agreement
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Share(s)”	ordinary share(s) of US\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	UNIVERSAL ZONE LIMITED, an Independent Third Party and the subscriber under the Subscription Agreement
“Subscription”	the proposed issue of Subscription Shares by the Company and the proposed subscription of the Subscription Shares by the Subscriber
“Subscription Agreement”	the subscription agreement dated 25 November 2019, entered into between the Company and the Subscriber in respect of the Subscription
“Subscription Price”	HK\$0.08 per Subscription Share
“Subscription Shares”	250,000,000 new Shares to be issued by the Company to the Subscriber pursuant to the Subscription Agreement
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong

“US\$” United States dollar(s), the lawful currency of the United States

“%” per cent

By Order of the Board of
China Geothermal Industry Development Group Limited
Xu Shengheng
Joint Chairman & Executive Director

Hong Kong, 25 November 2019

As at the date of this announcement, the Board comprises Mr. Xu Shengheng, Ms. Wang Yan, Ms. Chan Wai Kay, Katherine, Mr. Wang Manquan, Mr. Zang Yiran and Mr. Dai Qi as executive Directors, Mr. Yang Wei and Mr. Wang Michael Zhiyu (Ms. Liu Ening being his alternate Director) as non-executive Directors, Mr. Jia Wenzeng, Mr. Wu Desheng, Mr. Wu Qiang and Mr. Guo Qingui as independent non-executive Directors.

This announcement, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the GEM website with the domain name of www.hkgem.com on the “Latest Company Announcement” page for at least 7 days from the date of publication and on the website of the Company at www.cgsenergy.com.hk.